

AMENDED IN SENATE MARCH 25, 2011

**SENATE BILL**

**No. 689**

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**Introduced by Senator Harman**

February 18, 2011

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An act to ~~add and repeal Section 7503.1~~ *amend Sections 7503 and 7504* of the Government Code, relating to public retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

SB 689, as amended, Harman. Public retirement systems.

Existing law requires all state and local public retirement systems to prepare an annual report in accordance with generally accepted accounting principles.

*This bill would require those reports to be prepared quarterly.*

*Existing law also requires all state and local public retirement systems to secure, not less than triennially, the services of an enrolled actuary.*

*This bill would require those systems instead to secure those services not less than biennially.*

*Existing law also requires the Controller to compile and publish a report annually on the financial condition of all state and local public retirement systems containing specified data.*

*This bill would require that report to include specified information about any retired member who receives a pension of \$100,000 or more annually. The bill would also require that report to be filed with the Legislature, the Department of Finance, and the Legislative Analyst's Office.*

~~The bill would, until January 1, 2016, require all state and local public retirement systems to file an annual report with the Legislature, the Department of Finance, and the Legislative Analyst's Office that would~~

~~include specified information about any retired member who receives a pension of \$100,000 or more annually.~~

~~The bill would express a legislative finding and declaration that to ensure the security of the University of California funds, including retirement funds, it is necessary for this act to apply to the University of California.~~

~~The bill would also express a legislative finding and declaration that to ensure the statewide integrity of local government, to cultivate an attractive business climate, and to improve the sufficiency of local public safety services, the disclosure of generous pensions paid to public retirees is an issue of statewide concern and not a municipal affair, and that therefore, all cities, including charter cities, would be subject to the provisions of the bill.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 7503 of the Government Code is amended  
2     to read:

3     7503. All state and local public retirement systems shall prepare  
4     ~~an annual~~ a quarterly report in accordance with generally accepted  
5     accounting principles.

6     SEC. 2. Section 7504 of the Government Code is amended to  
7     read:

8     7504. (a) All state and local public retirement systems shall  
9     ~~secure, not less than triennially, secure~~ biennially, the services of  
10    an enrolled actuary. An enrolled actuary, for the purposes of this  
11    section, means an actuary enrolled under subtitle C of Title III of  
12    the federal Employee Retirement Income Security Act of 1974  
13    (Public Law 93-406) and who has demonstrated experience in  
14    public retirement systems. The actuary shall perform a valuation  
15    of the system utilizing actuarial assumptions and techniques  
16    established by the agency that are, in the aggregate, reasonably  
17    related to the experience and the actuary's best estimate of  
18    anticipated experience under the system. Any differences between  
19    the actuarial assumptions and techniques used by the actuary that  
20    differ significantly from those established by the agency shall be  
21    disclosed in the actuary's report and the effect of the differences  
22    on the actuary's statement of costs and obligations shall be shown.

(b) All state and local public retirement systems shall secure the services of a qualified person to perform an attest audit of the system's financial statements. A qualified person means any of the following:

(1) A person who is licensed to practice as a certified public accountant in this state by the California Board of Accountancy.

(2) A person who is registered and entitled to practice as a public accountant in this state by the California Board of Accountancy.

(3) A county auditor in any county subject to the County Employees Retirement Law of 1937 (Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3).

(4) A county auditor in any county having a pension trust and retirement plan established pursuant to Section 53216.

(c) All state and local public retirement systems shall submit audited financial statements to the ~~State~~ Controller at the earliest practicable opportunity within six months of the close of each fiscal year. However, the ~~State~~ Controller may delay the filing date for reports due in the first year until the time as report forms have been developed that, in his or her judgment, will satisfy the requirements of this section. The financial statements shall be prepared in accordance with generally accepted accounting principles in the form and manner prescribed by the ~~State~~ Controller. The penalty prescribed in Section 53895 shall be invoked for failure to comply with this section. Upon a satisfactory showing of good cause, the ~~State~~ Controller may waive the penalty for late filing provided by this subdivision.

(d) ~~The State~~ *(1) Notwithstanding Section 10231.5, the* Controller shall compile and publish a report annually on the financial condition of all state and local public retirement systems containing, but not limited to, the data required in Section 7502. The report shall be published within 12 months of the receipt of the information, and in no case later than 18 months after the end of the fiscal year upon which the information in the report is based.

*(2) The report required by this subdivision shall also include the following information regarding any retired member who receives a pension of one hundred thousand dollars (\$100,000) or more annually:*

*(A) The classification from which the member retired.*

*(B) The department or agency from which the member retired.*

1 (C) *The amount of the pension that the member receives*  
2 *annually.*

3 (3) *The report required by this subdivision shall be filed with*  
4 *the Legislature, the Department of Finance, and the Legislative*  
5 *Analyst's Office.*

6 ~~SECTION 1.~~ Section 7503.1 is added to the Government Code,  
7 to read:

8 7503.1. (a) In addition to the report required by Section 7503,  
9 all state and local public retirement systems, including those of  
10 the University of California, charter cities, and charter counties,  
11 shall file an annual report with the Legislature, the Department of  
12 Finance, and the Legislative Analyst's Office that includes the  
13 following information regarding any retired member who receives  
14 a pension of one hundred thousand dollars (\$100,000) or more  
15 annually:

16 (1) ~~The classification from which the member retired.~~

17 (2) ~~The department or agency from which the member retired.~~

18 (3) ~~The amount of the pension that the member receives~~  
19 ~~annually.~~

20 (b) (1) ~~The report to the Legislature shall be submitted in~~  
21 ~~compliance with Section 9795.~~

22 (2) Pursuant to Section 10231.5, this section shall remain in  
23 effect only until January 1, 2016, and as of that date is repealed,  
24 unless a later enacted statute, that is enacted before January 1,  
25 2016, deletes or extends that date.

26 SEC. 2. The Legislature finds and declares the following:

27 (a) To ensure the security of the University of California funds,  
28 including retirement funds, it is necessary for this act to apply to  
29 the University of California:

30 (b) ~~The security of public moneys and the fiscal integrity of~~  
31 ~~local governmental agencies in this state, including charter cities,~~  
32 ~~have a direct impact on the long-term well-being of all residents~~  
33 ~~of this state. A functioning, transparent, and practical governmental~~  
34 ~~structure is critical to businesses either staying in or relocating to~~  
35 ~~California. Further, local governments that are incapacitated by~~  
36 ~~excessively generous pension obligations have difficulty providing~~  
37 ~~sufficient public safety services and place additional resourcing~~  
38 ~~burdens on the state. Accordingly, the Legislature finds and~~  
39 ~~declares that to ensure the statewide integrity of local government,~~  
40 ~~to cultivate an attractive business climate, and to improve the~~

1 ~~sufficiency of local public safety services, the disclosure of~~  
2 ~~generous pensions paid to public retirees is an issue of statewide~~  
3 ~~concern and not a municipal affair, as that term is used in Section~~  
4 ~~5 of Article XI of the California Constitution. Therefore, this act~~  
5 ~~shall apply to all cities, including charter cities.~~

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